

VALUE ADDED COMPARISON CULL COWS

(MARKET CHOICE)

SELL LIVE

(LIVE WEIGHT)

Type Bid \$ _____ /cwt.

(Carcass Price)

Est. _____ %

(Yield)

_____ Lbs.

(Weight)

\$ _____

(Act. Price)

SELL CARCASS

C & C	Flat	Utility

Act. _____ %

_____ Lbs.

\$ _____

(DIFFERENCE)

\$ _____ TOTAL

\$ _____ /cwt.

LIVE COMPARISON

\$ _____ /cwt.

CONCLUSION

The difference in value between the packer's cost and the farmer's selling price can be attributed to method of selling. And, that difference can be as optional as a value added bonus or as a marketing deception loss . . .

The choice is yours.



GRADE PLUS™

THE NEW STANDARD OF THE BEEF INDUSTRY

Knightro Powered Marketing has always been on the cutting edge of the beef industry.

- They were the first to develop educational seminars for producers teaching them the advantages of value based carcass cut-out marketing.
- They lead the way in the development of contract marketing with guaranteed profitability for the producer.
- Now they are leading the way again with the development of Grade PLUS™ a new marketability measure that will bring all beef cattle into equity and provide greater profits for producers who follow its regimen.

Grade PLUS™ is a graded cut-out premium marketing concept where price is determined by actual cut-out values. This is in contrast to grade and yield marketing where value is determined only by carcass grade and weight. The purpose of developing the Grade PLUS™ marketing concept is to more accurately measure the value of an animal as determined by the price of the saleable product produced from the carcass.

PRICE DETERMINATION

Meat price \$ _____/Cwt (X) Cutability Yield _____% = Carcass price \$ _____/cwt

Carcass Price Determined By Grade & Cutability

	GRADE	CUTABILITY YIELD	MEAT PRICE /LB.	CARCASS PRICE/CWT
(Cows)	Canner	_____%	_____/	_____/
	Cutter	_____%	_____/	_____/
	Boning Utility	_____%	_____/	_____/
	Breaking Utility	_____%	_____/	_____/
	Commercial	_____%	_____/	_____/
		Grade PLUS		
		Grade PLUS		
	Standard	_____%	_____/	_____/
	Select	_____%	_____/	_____/
(Steers and Heifers)	Choice	_____%	_____/	_____/
	Prime	_____%	_____/	_____/
		Grade PLUS		

Meat Prices Reflect Quality Grade Values

CATTLE COST OF PRODUCTION

Cattle cost: _____ Wt. x _____ \$ _____

Feed cost: amount x price =

Corn (Bu.) _____ x _____ \$ _____

Roughage # _____ x _____ \$ _____

Supplement # _____ x _____ \$ _____ \$ _____

Miscellaneous Cost:

Interest _____ % \$ _____

Processing & Medicine \$ _____

Death Loss \$ _____

Freight \$ _____

Marketing Expense \$ _____ \$ _____

TOTAL COST

\$ _____

Finish Weight _____
Days On Feed _____
A.D.G. _____

Break Even _____

Contact Price _____
Less Break Even _____
P/L per Cwt. _____ x _____

PROFIT/LOSS per Head

Markets aren't always what they seem.

"KNOW THE FACTS"



CATTLE EVALUATION REVIEW

- (1) Given the following market and evaluation information what would be the expected selling price?
\$ _____ / cwt.

(MARKET INFORMATION)

[illegible]

(LIVE EVALUATION)

_____ %	Choice	\$ _____	_____ / cwt.
_____ %	Select	\$ _____	_____ / cwt.
_____ %	Cutability Discount	\$ _____	_____ / cwt.
_____ %	Sort Discount	\$ _____	_____ / cwt.
_____ %	Carcass Price	\$ _____	_____ / cwt.
_____ %	Estimated Yield	_____ %	
_____ %	Live Value	\$ _____	_____ / cwt.

- (2) Given the option of selling the following load of cows on either a flat bid or a graded bid - - which method of selling will be most profitable?

☐ Flat Bid ☐ Graded Bid
(Explain Your Answer)

Flat Bid		Grade	Graded Bid	Carcass Weight	Live Weight	Yield
\$	____ / cwt.	____ % / c/c	\$	____ lbs.	____ lbs.	____ %
\$	____ / cwt.	____ % / b/b	\$	____ lbs.	____ lbs.	____ %

KNIGHTRO POWERED MARKETING

LIVESTOCK PROCUREMENT INVOICE AND BILL OF LADING

DATE: _____
LOADING POINT: _____
INVOICE NUMBER: _____
BUYER: _____

[illegible]

MAIL CHECK TO: KNIGHTRO LIVESTOCK CUSTODIAL ACCOUNT
ATTN: KNIGHTRO LIVESTOCK CUSTODIAL ACCOUNT
BANK ONE GREEN BAY
222 SOUTH MAIN STREET, SEYMOUR, WI 54165

THE TRUCKER SHALL BE RESPONSIBLE FOR DELIVERING TO THE DESIGNATED BUYER ALL LIVESTOCK AS LISTED ABOVE. THROUGH THE ACT OF LOADING THE LIVESTOCK, THE TRUCKER AUTOMATICALLY ACCEPTS THE RESPONSIBILITY FOR DELIVERING 100% OF THE LIVESTOCK, AS LISTED AND DESCRIBED ABOVE, UNLESS A CHANGE IS AUTHORIZED BY THE PROCUREMENT REPRESENTATIVE.

NAME OF BUYER

ADDRESS OF BUYERDELIVERY WEIGHT _____ DELIVERY TIME _____
RECEIVED _____ HEAD OF LIVESTOCK IN GOOD CONDITION _____

NAME OF TRUCKER

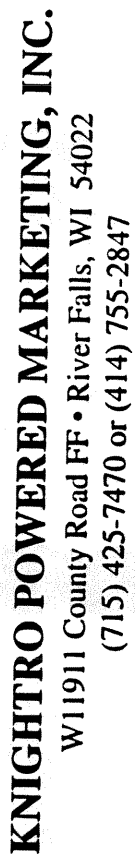
ADDRESS OF TRUCKER

TRUCK RATE: _____ TOTAL TRUCKING _____
LOADING TIME: _____ LOADING WEIGHT _____
|| LOADED _____ HEAD OF LIVESTOCK IN GOOD CONDITION.

SIGNATURE OF BUYERS REPRESENTATIVE

I CERTIFY THAT THE CUSTODIAN HAS IN POSSESSION CERTIFICATES OR EVIDENCE OF CERTIFICATION IN COMPLIANCE WITH DRUG MANUFACTURING AND FD/INSTRUCTIONS COVERING WITHDRAWAL TIME OF FEED ADDITIVES AND PHARMACEUTICAL DOSAGES USED IN FEEDING LIVESTOCK PRIOR TO SHIPMENT FOR SLAUGHTER. I FURTHER CERTIFY THAT THESE ANIMALS WERE NOT FED ANY PHARMACEUTICALS AT THE LOADING FACILITY.

SIGNATURE OF PROCUREMENT REPRESENTATIVE



NAME _____ LOT NO. _____ TYPE _____ NO. HEAD _____
PACKING COMPANY _____ KILL DATE _____ BASE MARKET \$ _____/cwt

[illegible]

BASE MARKET \$ _____/cwt

(Total Discounts \$ _____/cwt.)

NET PRICE \$ _____/cwt.

DISTRIBUTION OF COPIES:

MARKET REPRESENTATIVE

CUSTOMER

KNIGHTRO POWERED MARKETING
DRAFTS ISSUED BALANCE SHEET

Commodity _____

Invoice Date _____

Loading Point _____

GROSS DUE FROM BUYER:

INVOICE NUMBER

HEAD

WEIGHT

Buyer _____ \$ _____

Buyer payment of deductions @ _____
(Services, beef tax, etc.) _____

GROSS TO BE PAID OUT

\$ _____

DEDUCTIONS WITHHOLD FROM CHECK

_____ @ _____

\$ _____

Other _____

Other _____

TOTAL DEDUCTIONS WITHHELD

\$ _____

Net to be paid out

\$ _____

DATE WRITTEN

\$ _____

TOTAL OF CHECKS ISSUED

\$ _____

Difference

\$ _____

Reason for difference:

1.

2.

ADDITIONAL INFORMATION

1.

2.

3.

Prepared By: _____

P & S Compliance

PRICE PROTECTION

(Explanation of Options)

The Option on Futures Scenarios represented by the attached worksheets (A, B & C) are used by producers to limit downside market price exposure, while maintaining upside market price potentials. In each case, the producer will decide the amount of risk acceptable to him and also the amount of upward price potential he desires to maintain.

One of the features of the Options on Futures is choice. When purchasing a livestock option you acquire the right, but not the obligation, to a long or short position in a specific futures contract at a fixed price on or before an expiration date. For the right granted by the option contract, you pay a sum of money (premium) to the option seller. The option seller - writer - keeps the premium whether the option is used or not. The writer must fulfill the contract terms if it is exercised by the buyer. But when you buy an option, you are "buying" a choice: You could choose to let the option expire without a commitment or delivery obligation. This is not an "option" with most cash or agricultural futures contracts.

There are two different types of options - calls and puts - which offer opposite pricing alternatives. A call option gives the buyer the right to buy a futures contract at a fixed level on or before an expiration date. Conversely, a put option gives the buyer the right to sell a futures contract at a fixed price level on or before an expiration date.

Calls and puts are separate option contracts. They are not the opposite sides of the same transaction. For every purchase of a call option, there is a corresponding sale of the call option. This is also true for the put options: one buyer - one seller for each put option transaction. Due to the nature of these transactions and the fact that the option premium contains both time and intrinsic, there are times when options may be too expensive to be used as price insurance. It is also important to recognize that an option program can only aid you in reducing price risk, profit itself, cannot be purchased.

WORKSHEET A

Purchasing a Put Option

A purchased put option generates income when the futures market moves below the strike price. Thus, the purchase of the put option creates a "floor price" level by securing a futures price. There is no ceiling or topside restriction.

The livestock may be marketed at the producer's discretion at a higher market price. Basis, the spread between the futures and the delivered cash price of the livestock does remain an intangible however - unless a basis contract with a packer is taken. (See Worksheet A).

WORKSHEET B

Forward Contract and Purchase of a Call Option

A purchased call option generates income when the futures market moves above the strike price. Thus, by forward contracting, a producer creates a floor price (with no basis risk), and may participate in an upward futures move with the call. There is no ceiling or topside restriction. The producer may choose to exercise the option and take the money out of the futures anytime between initially taking the position up until expiration. (See Worksheet B).

WORKSHEET C

A "Fence" with purchased Put and sold Call Options

Purchasing the put acts to create a "floor price". Reluctance to pay the entire premium for an "open top" position, because you are uncertain the market will go significantly higher, or because the premium is simply too expensive, causes you to sell an out of the money call. The call premium then accrues to you, reducing the premium paid for the put. However, should the futures move beyond the strike price of the call you have sold, you would have to put dollar for dollar into the futures. You would be short the futures.

Basis spread would also be an intangible unless a basis contract with a packer was taken. Margin money is also required anytime an option is sold.

Should the market move below the put option strike, money accrues to you to maintain the floor price level. Should the market move higher than the put strike, less than the call strike, livestock may be marketed at the higher price and the call option premium will be retained by you as an offset to the put option premium. Should the futures move higher, nearing the strike price of the call, you would want to take an offsetting position (to avoid the dollar for dollar short position), and market your livestock at the higher value.

The investment in the "offset" combined with the marketing of the livestock would gain you roughly 80 cents per hundred for each 20 cents per hundred invested in the call offset. (See Worksheet C)

**(A) DOWNSIDE RISK PROTECTION /
UPSIDE POTENTIAL WORKSHEET
PUT OPTION**

Commodity _____ Futures Month _____ Price _____
Cost of Production Breakeven cwt. _____ #

1. Buy PUT Option @ _____ Strike - - Premium _____ cwt.

PUT OPTION guarantees right to _____ short futures protection at the strike price chosen.

EXAMPLE USING ABOVE

Breakeven- - - - - _____ cwt.
PUT Premium - - - - - _____ cwt.
NEW BREAKEVEN - - _____ cwt.

POTENTIAL PROFIT RANGE

Floor _____ Ceiling : None
New Breakeven _____
Profit Range - - \$ _____ cwt.
X _____ #

Projected
Net Return - - \$ _____ head to Unlimited

Basis remains at risk. In this scenario the PUT will be used to protect the downside futures price while allowing the livestock to be contracted at a higher level in the event that the market moves upward. There is NO margin money requirement.

**(B) DOWNSIDE RISK PROTECTION /
UPSIDE POTENTIAL WORKSHEET
Contract and Call Option**

Commodity _____ Futures Month _____ Price _____
Cost of Production Breakeven Cwt. _____ #

1. Contract Livestock @ _____ cwt.
2. Buy CALL Option @ _____ Strike - - Premium _____ cwt.

CALL OPTION guarantees right to \$1 for \$1 income accruing to you above your \$ _____ strike price.

EXAMPLE USING ABOVE

Breakeven- - - - - _____ cwt.
CALL Premium - - _____ cwt.
NEW BREAKEVEN - - _____ cwt.

POTENTIAL PROFIT RANGE

Floor _____ Ceiling : None
New Breakeven _____
Profit Range - - \$ _____ cwt.
X _____ #

Projected
Net Return - - \$ _____ head to Unlimited

There is NO basis risk. In this scenario the Contract will be used to protect the downside futures prices while the Call allows income to accrue in the event of a higher futures market. There is NO margin money requirement.

(C) DOWNSIDE RISK PROTECTION / UPSIDE POTENTIAL WORKSHEET

"Fence with Put and Call Options

Commodity _____ Futures Month _____ Price _____
Cost of Production Breakeven Cwt. _____ #

1. Buy PUT Option @ _____ Strike -- Premium _____ cwt.

PUT OPTION guarantees right to _____ futures protection.
PUT option has limited risk: only premium.

2. Sell CALL option @ _____ Strike -- Premium _____ cwt.

CALL OPTION creates ceiling of _____ on Futures.
CALL option has top-side risk -- premium accrues to us as income. We guarantee someone else to be long at our risk.

EXAMPLE USING ABOVE

Breakeven ----- cwt.
Expense - PUT Premium ----- cwt.
Income - CALL Premium ----- cwt.

NEW BREAKEVEN ----- cwt.

POTENTIAL PROFIT RANGE

Floor _____	Ceiling _____
New Breakeven _____	-----
Profit Range -- \$ _____	to \$ _____ cwt.
x _____ #	----- x _____ #
Projected Net Return -- \$ _____ head	to _____ head

Basis remains at risk. Options can be rolled into different prices for a repositioning fee.

MARKETING TERMS

GRADE - Determined by a back fat measurement after the carcass is split. Place of measurement varies from packer to packer. Thickness of muscling through the ham and loin as well as length of carcass are other factors involved in the final grade.

YIELD - Carcass weight in relation to the animal's live weight. For example, if a hog of 230 pounds produces a carcass of 170 pounds, you divide the 170-pound carcass by 230 pounds to yield 73.91 percent ($170 \div 230 = 73.91$). The major factors in determining yields are weighing conditions, muscle, fat and carcass trim.

SORT - All buyers have established a top weight range, for hogs purchased at top market price. When hogs are heavier or lighter than the top weight, they must be sorted by weight. Quality is also a major reason of sort.

QUALITY - One part of quality often overlooked by hog producers is meat quality. This can be the physical make-up of the hog. A deformity, such as a scar, abscess, belly bust, rear bust or mange, can reduce the quality. Genetics and feeding can also have an effect on acceptability or quality. High stress hogs can produce a pale soft exedative pork which because of its discoloration and texture is not at all appealing in the retailers meat counter and therefore, you end up with an unacceptable product.

CUTABILITY - It is generally used as the percentage of primals, such as ham, loin, belly, picnic and butts, that can be merchandised from a particular hog. It is the relationship of meat to fat to bone.

SUBJECT - Questionable quality hogs which are sent to a buyer for him to assess the quality and price of the hog. Most large packers today would rather you didn't send them the hog if a question of quality exists.

US SUSPECT - USDA Veterinary Inspector will tag and stamp a hog to be put into a cage until a disease or disorder can be confirmed. The government inspector holds the only key to the cage and is the only one who can release the carcass for human consumption. Condemned carcasses can be passed for cooking only.

CONDEMNATION - A hog rejected for human consumption by the veterinary inspector. Some packers say the carcass is tanked. The carcass is then put through a pressure cooking process and is used for animal feed.

HEDGING - Selling a commodity on the futures. This helps take the risk out of feeding. It permits you to establish a selling or buying price for a commodity months before it is ready for sale or purchase. *Always remember:* A hedge does not guarantee a profit -- only a price. It may even lock in a smaller loss than you would have had if you were unhedged.

FUTURES - This can be divided into two categories: speculative futures and hedging futures. Speculative futures, as implied, is the mechanism used by speculators to bet ups and downs in the market for profit. With hedging futures, livestock producers try to position themselves to sell at the uppermost levels of the futures market to obtain an uppermost price for their livestock.

OPTIONS - There are two kinds of options: calls and puts. Both can be bought or sold. **CALLS:** Buying a call is a long position, just as buying a futures is a long position. You profit if the market goes up. Selling a call is a position on the short side of the market. The seller profits when the market goes down. **PUTS:** The buyer has the right to sell a future at a fixed price on or before a specific expiration date. You profit if the market goes down. However, put buying is used to establish a floor price while the livestock producer waits for the market to go up. He can then forward contract or hedge. **PUT SELLER:** You are granting the buyer of the put the right to deliver a future to you at the exercise price at any time through expiration of the option. In buying options, the risk is limited to the premium and the risks are unlimited.

FORWARD CONTRACTING - Using the futures market to establish a price for a future delivery. When a producer forward contracts, he is establishing a basis.

LIVE BUY - This is a method to purchase hogs. The buyer is standing all the risk and accepts all gains. It is unlikely that any buyer will give top market price on a live basis. The age of the computer allows buyers to have historical performance on a producer's hog after only a few shipments.

GRADE AND YIELD - The producer in this method of marketing hogs takes all the risks. Even though every packer currently has his own system, they are all basically the same. The producer is paid for any advantage in yield over and above what the packer has established as a standard yield for his plant. Producers are also paid for better graded hogs, varying among packers. Discounts are made for grades below #3. Any hogs heavier or lighter than the packer's top weight range are also discounted - - this is referred to as sort loss.

COST OF PRODUCTION - Actual costs to produce pork, including the first cost of the pigs. This cost includes feed costs (corn, soybean meal and supplement), veterinary costs, marketing, power, fuel, labor, building and equipment depreciation, interest, maintenance, taxes, insurance, death loss, management and administration, bedding and other miscellaneous supplies.

WEIGHT BREAKS - Established by packers. This can vary from packer to packer by weights. Weight breaks have changed considerably since 1986 when most hogs were purchased at weights from 210 pounds to 240 pounds. Today, the most common breaks used are from 220 pounds to 250 pounds or from 230 pounds to 260 pounds. Packers will pay top price for these weight ranges.

BEEF

CLASS OF CATTLE: Refers to the sex and age of an animal

GRADE: Refers to the quality of the meat or the cutability of the carcass.

CONFIRMATION: The shape or build of an animal.

FINISH: The amount and distribution of fat.

QUALITY: Refers to the color, texture, and firmness of lean, fat and bone.

CUTABILITY: Lean to fat ratio.

STEERS: Males that are castrated in calfhood in order to produce more rapid gains and improve the quality of meat.

HEIFERS: These are young females which have never borne a calf.

HEIFERETTE: A female that has never borne a calf but showing too much age to be classified a heifer.

COWS: Females which have borne one or more calves.

BULLS: Males that have not been castrated.

STAGS: Males that have been castrated after reaching sexual maturity.

STEER AND HEIFER GRADES: Prime - Choice - Select - Standard and Utility.

COW GRADES: Cutter - Canner - Utility and Commercial.

HOLSTEIN GRADE: Dairy and dairy cross breed cattle with dairy confirmation.

BONERS: Refers to leaner utility grade but fatter than canners and cutters.

BREAKERS: The fatter end of the utility grade.

SLOB: Not an official grade, but a commonly used term to describe extremely over fat cows.

YIELD GRADE: An official U.S.D.A. grade that designates the predictable cutability of a carcass.

YIELD GRADES: 1 - 2 - 3 - 4

PORK

BACKFAT - Deposit of fat over the back of the hog extending from the shoulder back to the ham.

BACKFAT THICKNESS - The average of three measurements taken opposite the first rib, last rib and last lumbar vertebrae.

CENTER CUT - The center portion of the ham just behind the aitch bone extending back through the meaty portion of the ham.

DEPTH OF CARCASS - The distance from the dorsal surface of the carcass to the ventral surface, measured across the seventh rib and parallel to the floor with the carcass hanging.

HAM BUTT - The cut surface of a ham when it is removed from the carcass. It contains fat, lean and bone.

HAM FACE - The lean area of the ham immediately behind or above the aitch.

LEAN CUTS - These cuts included ham, loin, Boston butt and picnic.

LENGTH OF CARCASS - The length of a carcass is measured from the anterior edge of the first rib to the anterior edge of the aitch bone.

LOIN EYE - The cross section of the *logissimus dorsi* muscle which is usually taken at the tenth rib.

MEATINESS - This is another term for cutability which is a combination of the muscular development and finish in a carcass or cut, indicating a high ratio of lean to fat.

TWO TONED - The light and dark colored muscles present in a ham butt. This is an undesirable characteristic.

PRIMAL CUTS - These cuts consist of ham, loin belly, picnic and butt.

MARBLING - The intramuscular fat embedded in the meat which is a major factor in determining grade of beef. It is exposed in the rib eye between the 12th and 13th rib when the carcass is divided into a front and hind quarter.

PSE - This shows up in high stress hogs. PSE is a pale soft exudative pork. As described, the pork has soft muscle systems in the ham face and will be separated. It can be very light in color and the ham will be losing moisture. This is unacceptable for the fresh meat counter.

CERTIFICATION STANDARDS - These standards can vary somewhat among different breed associations. The standards are based on the number of days to 205 pounds; backfat thickness; length; loin eye area between the 10th and 11th rib. Some use ham and loin percent.

AMERICA'S CHOP - You may see it in the supermarket as an Iowa or Husker Chop. It is a center cut pork chop that is cut 1 1/2" thick. The retailer generally charges more for the cut than a regular pork chop.

CHEF'S PRIME - Boneless pork loin. The prime rib of pork, specifications -- fat 1/4" or less; bright color; belly flange trimmed to 1/4"; weight variance (2 - 4 lb.)

RESIDUE - What is most important right now is sulfa residue, which can be picked up in the urine of tissue of an animal that has not gone through the proper withdrawal period.

OPTION TERMINOLOGY

AT THE MONEY OPTION: Call and Put options are at-the-money when the price of the underlying futures is the same as the strike price.

IN THE MONEY OPTION: A Call option is in-the-money when the price of the underlying futures contract is above the strike price. A Put option is in-the-money when the price of the underlying futures contract is below the strike price. An option that is in-the-money has intrinsic value.

OUT OF THE MONEY OPTION: A Call option is out-of-the-money when the strike price is significantly above the current price of the underlying futures contract. A Put option is out-of-the-money when the strike price is significantly below the underlying futures contract. The premium value of an out-of-the-money options represents all time value.

EXPIRATION DATE: The last day when an option may be exercised or offset into the underlying futures contract.

EXERCISE OR STRIKE PRICE: The price at which a person may buy or sell the underlying futures contract.

PREMIUM: The amount agreed upon between the purchaser and the seller for the purchase of sale of a commodity option. Purchasers pay the premium. Writers receive the premium.

UNDERLYING FUTURES CONTRACT: The futures contract that may be purchased or sold upon the exercise of an option.

INTRINSIC VALUE: The amount an option is in money. Example - let's assume that the July LC future is trading at 70 and the June 66 call is at 5. In this case the call has 4 cents intrinsic value.

TIME VALUE: The sum of money option buyers are willing to pay for an option in the anticipation that - over time - a change in the underlying futures price will cause the option to increase in value.

TIME DECAY: The rate at which an option's time value depreciates.

KNIGHTRO POWERED MARKETING

Livestock Marketing Division

W11911 County Road FF • River Falls, WI 54022

Phone: 715-425-7470 or 414-755-2847 • Fax: 715-425-6064 or 414-755-2069

MARKETING REPRESENTATIVE AGREEMENT

Representative's Name: _____
Address: _____

Phone: (Business) _____ (Home) _____
Knightro Livestock Dealer's License Number: _____
(Assigned by the state of Origin in compliance with federal P & S regulations)

This marketing representative agreement is entered into in accordance to the following terms and conditions:

Knightro will:

- Negotiate the sale of livestock (Cash...Price Protected...Contracts)
- Be available to conduct marketing seminars and assist with market enhancement programs
- Provide regularly scheduled marketing representative informational meetings
- Develop bonus incentives programs as they become available
- Introduce more profitable marketing programs as they become available
- Provide marketing assistance as necessary

Market Representatives will:

- Have exclusive marketing rights to the Knightro Powered Marketing programs within approved designated area(s) as long as they remain in good standing with Knightro Powered Marketing and conform to its marketing standards
- Solicit all sales in compliance with state and federal regulations
- Represent the sale of farmer-owned livestock only (second or third party ownership will not be allowed by Knightro Powered Marketing)
- Conform to the marketing standards established by Knightro Powered Marketing
- Represent Knightro Powered Marketing with livestock marketing professionalism
- Represent clients with full regard for maximizing profitability

Knightro will pay Marketing Representative for services rendered:

- (A) For the sale of each market certificate book
- (B) For the sale of each contract (40,000 lbs.)
- (C) For the sale of each market retainer contract (40,000 lbs.)
- (D) For the sale of each annual market retainer program
- (E) For the sale of all feeder cattle
- If a customer exercises the right of "price protection" the commission fee is paid upon execution of the contract ---otherwise, it will be paid at the time of sale.

This agreement between Knightro Powered Marketing and its exclusive marketing representatives is bound by the common goal and purpose of solely providing a marketing service for its clients and will not engage in the buying and selling of livestock for the purpose of speculation. This agreement will be reviewed annually and may be declared null and void should the representative violate any laws or regulations or fail to perform to common standards. It is further understood that the representative is acting as an independent contractor with Knightro and as such is subject to all local, state, and federal laws and regulations for such activities. The representative hereby agrees to comply with the terms of this agreement and to not engage in any competing business activities while this agreement is in force. All names, addresses, mailing lists and programs are the exclusive property of Knightro Powered Marketing and must be relinquished by Knightro upon demand and may not be used at any time for any other purpose except that of marketing the Knightro Powered Marketing livestock programs without the expressed written consent of Knightro Powered Marketing.

Marketing Representative _____

_____ Date

Knightro Powered Marketing _____

_____ Date



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(Sponsors are Welcome)



the *-by Ken Knight* Knightro Report

*Serving the nation's
livestock industry*

The Knightro Report is a livestock marketing information column that is producer oriented and totally unbiased in terms of physical market entities. The report will be featured on a regular basis in this publication; and your feed-back, questions, and concerns will be addressed as an integral part of the information being presented.

Our company just recently developed a livestock marketing program that is focussed on small marketing groups or specialized entities that have a common marketing interest. I would like to share with you some of the particulars of this marketing plan, as it has caught on with a great deal of interest by several organized groups, and it is something that you might like to organize or be a part of in your area. The idea has been identified as a MICRO livestock marketing plan. As a word micro implies, it is a small concept with potentially big results. It is a marketing idea that has recently sprung-up throughout the country in many facets of business. A prime example is the beverage business where micro breweries are coming on stream at a fast pace. And, it would seem that the concept has a great deal of application within the meat industry, where there is such a broad base of issues being addressed. There is so much confusion, speculation and uncertainty by the consumer, that everything from lean to organic to fat is being represented. This has left the door open for a lot of niche marketing concepts to be pursued by a wide range of meat animals, as far reaching as ostrich, emu and buffalo. But, most importantly, it is a concept that fits well with the EVERYDAY-CONVENTIONAL livestock producer.

As a conventional livestock producer, you have left the door wide open for these exotic markets to erode the market of those of you who consider yourselves a part of the age-old, traditional livestock industry. You have not done a very good job of selling the product for which you have done a GREAT job of producing. Oh, you think you are a pretty good salesman when you top the market on any given day, but all you have really done is play into the hands of those who CONTROL you and everything you produce.

The "Tail now wags the dog" for you are part of an industry who's raw material is produced by millions of producers, just like yourself, but who's destiny is controlled by no more than a hand full of money-driven profit machines. Do you think that the major "meat packers" care about anything but the bottom line? They simply sell whatever you produce and shove it down the consumers' throat, whether they like it or not. Is it any wonder why the per capita consumption of conventional red meat continues to erode faster than a "slippery" livestock buyer?

I am not suggesting that the major meat

packers have not been successful business entities, or that being profit driven is a sin. Quite the contrary, as I applaud success, in any form, and promote livestock market planning as a means of making a better businessman out of most livestock producers. The point being, is that it is you the PRODUCER not the meat packer or the processor that needs to take control of the outcome of YOUR product. Do not leave this job up to somebody else, or it will fail as miserably as it is now failing. You have left everything from quality to profitability slip right through the cracks. Take back control, and stand up and be accountable for the product you produce.

This won't happen if you continue to mainstream down the same road you are traveling. But, if you are willing to break away from the trap that you are in and join a focussed micro marketing group, you may be able to make a difference and bring about change within an industry that is so desperately in need of PRODUCER DRIVEN LEADERSHIP.

To accomplish this goal you may want to join a livestock marketing pool, made up of producers of similar interests. The common bond, may be that of breed, quality, cutability, ethnic orientation, nutrition, health, philosophy, or some combination thereof. This list may not be inclusive of your motive for getting involved, as there are many good reasons for forming such a focus group, but none more compelling than that of profit.

The following information outlines the particulars of how our company has assisted various groups in developing such a marketing plan.

KNIGHTRO LIVESTOCK MARKETING POOL

- The purpose of the Knightro livestock pool, is to assist producers in the development of more profitable MICRO marketing concepts.
- The term "micro," as used in this context, describes a relatively small, specialized niche market that allows the producer an opportunity to make additional profits.
- The additional profit opportunity comes from the results of selling on a value-based, actual cut-out price determination.
- The term "value-based cut-out" means that the total value of all the product derived from the carcass will be passed on to the producer via retained ownership.

- The term "retained ownership" means that the producer retains an ownership interest in his product from the time it leaves his farm until it reaches the point of consumption.
- The time period required to complete such a transaction will delay payment of livestock for about 30 days, as the cooperating meat packer will never take ownership of livestock or product thereof.
- The meat packer will not have a self-serving interest in this project (to buy low and sell high) as the sole role of the packer will be to slaughter and process (on a custom basis) for the account of Knightro, Inc.
- The Knightro company will act as an agent, on behalf of its' pool members, to perform in their best interest. Knightro will be responsible for the payment of livestock, selling of the product and contracting for the services of a meat packer to do the processing in accordance to specific terms and conditions.
- The more specific role of Knightro will be to develop specialized marketing plans that will return a premium to the producer.
- Knightro is an independent livestock marketing entity that is in the business of meat and livestock market management and consulting.
- Knightro is licensed and bonded in accordance to the rules and regulations of the Packers and Stockyards administrative division of the USDA, and maintains a meat and livestock custodial account in compliance with banking regulations.

Participants in the Knightro Livestock Marketing Pool will be required to comply with the following terms and conditions:

- Must sign a Knightro waiver of payment agreement which will be filed with the P & S. (Exhibit A)
- Must agree to sell on a value-based, cut-out pricing system. (Exhibit B) and (Exhibit C)
- Must purchase a Knightro Livestock Marketing Certificate Book. (Exhibit D) and (Exhibit E)
- Must agree to pay Knightro 20 percent of premium incentive payment. (The amount of premium paid above the base carcass price.)

This information is presented as a source of ideas that may be helpful in assisting your group in the development of a livestock marketing pool. Please feel free to contact us for further information or assistance in developing a MICRO LIVESTOCK MARKETING PLAN.

For more in-depth market information regarding the topics that have been touched upon in this report, Knightro conducts livestock marketing seminars on a regular basis. To schedule a seminar, please contact Ken Knight, Knightro, Inc., W11911 County Road FF, River Falls, WI 54022 or phone (715) 425-7470; or The Midwest Farm & Livestock Directory, 3225 5th Avenue South, Fort Dodge, IA 50501, (800) 622-8836, Fax (515) 955-6252. If you have comments, questions or issues that you would like addressed in this column, contact Knightro or Midwest Farm & Livestock Directory.



About the Author:

LIVESTOCK Marketing - - - - -

- B.S. degree in Animal Science from NDSU
- Management at the corporate level of meat packing industry
- Judge at the county, state, and national level
- Auctioneer of reputable livestock auctions throughout the Midwest
- Speaker of motivation to livestock Industry groups
- Educator and teacher of livestock marketing seminars

"Your success is my objective"

Thank You
Ken Knight

KNIGHTRO POWERED MARKETING, INC.

PROFILE

Mission Statement

Knightro Powered Marketing, Inc. is a livestock market management company that develops individualized livestock marketing plans for its clients. These plans are designed to reduce risk and enhance profits by providing "price protection" and "forward pricing".

The focus of Knightro Powered Marketing is to assist producers in managing profitable livestock operations.

The purpose

Knightro Powered Marketing is a livestock management and consulting company developed for the purpose of assisting livestock producers to more profitably market livestock.

Knightro Powered Marketing does not buy or sell livestock or speculate in any manner at the expense of the producer.

Knightro Powered Marketing develops individualized livestock market plans and manages the plan in the best interest of the client.

Knightro Powered Marketing is unique in that it incorporates the principals of value added marketing, price protection and forward pricing into all profit-projected market plans.

Creative problem solving for the producer has led Knightro Powered Marketing to develop specialized plans that meet the marketing needs of all livestock producers - no matter the number of head marketed or the geographic location of the producer.